

SENT TO COUNCIL ON:

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Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Leslye Corsiglia
Scott P. Johnson

SUBJECT: SEE BELOW

DATE: December 8, 2004

Approved

Date

12.13.04

COUNCIL DISTRICT: Citywide

INFORMATION

SUBJECT: REPORT ON ACTIVITIES UNDERTAKEN BY THE DIRECTOR OF HOUSING AND THE DIRECTOR OF FINANCE UNDER THE DIRECTORS' DELEGATION OF AUTHORITY FOR THE PERIOD JULY 1, 2004 THROUGH SEPTEMBER 30, 2004

BACKGROUND

On September 4, 1990, the City Council adopted Ordinance No. 23589, which delegated to the Director of Housing certain specified authorities in the administration of the City's comprehensive affordable housing program (the "Delegation of Authority"). On May 23, 2000, the Delegation of Authority was amended by Ordinance No. 26127 to clarify certain sections and add several other provisions. On June 25, 2002, the Delegation of Authority was further amended by Ordinance No. 26657 to add several provisions delegating additional authority to the Directors of Housing and Finance and to the City Manager. Subsequently, the City Manager delegated to the Director of Housing the Contract Authority granted to the City Manager.

The Delegation of Authority is codified in Chapter 5.06 of the Municipal Code. This memorandum reports on activities undertaken pursuant to the Administration's delegated authority for the period of July 1, 2004 through September 30, 2004.

ANALYSIS

The Delegation of Authority Ordinance authorizes the Director of Housing: to develop and implement additional guidelines for housing programs; to adjust terms on housing loans and grants; to change the funding sources of a loan; to convert loans to grants; to loan or grant Housing and Homeless funds, Predevelopment funds and Housing Rehabilitation Program funds; to negotiate and execute grant agreements necessary to implement Council-approved programs adopted in the Annual Action Plan of the Consolidated Plan; to provide management for, and/or

dispose of, properties acquired through direct purchase, foreclosure or deed-in-lieu proceedings; to formalize the City Council's policies and procedures regarding housing loan defaults; to apply for federal or State funding; and to make other technical changes under the Director of Housing's Delegation of Authority. Ordinance No. 26657 further broadened the Director of Housing's authority to make adjustments, within defined parameters, to loans and grants previously approved by the City Council; to delegate jointly to the Director of Housing and Director of Finance authority related to the City's issuance of tax-exempt, private-activity bonds to finance the development of affordable housing projects; to delegate to the Director of Finance the authority to hold Tax Equity and Fiscal Responsibility Act (TEFRA) hearings on the City's proposed issuance of tax-exempt bonds to finance affordable housing projects and the authority to determine, within defined parameters, various terms and conditions of loans and grants previously approved by the City Council.

ACTIONS TAKEN BY THE DIRECTOR OF HOUSING

Under the parameters of the Delegation of Authority, the Director of Housing has taken the following actions during the period of July 1, 2004 through September 30, 2004:

Housing Trust Fund Grants:

None this period.

Housing Rehabilitation and Improvement Loans and Grants Approved:

<u>ACTIVITY</u>	<u>NUMBER</u>	<u>AMOUNT</u>
REHABILITATION LOANS	7	\$ 105,000
REHABILITATION GRANTS	76	\$ 998,660
PAINT GRANTS	43	<u>\$ 147,220</u>
TOTAL:		\$1,250,880

Modifications to Council-Approved Loan Terms & Condition

239 Burning Tree Drive - Housing for Independent People (HIP) – Council District: 7, SNI:
N/A:

In February, 1999, the City of San Jose (City) purchased a property on Asbury Street from Housing for Independent People (HIP) in advance of the San Pedro Street Widening Project.

The Asbury Street house had been used to assist victims of HIV-AIDS, and had been purchased by HIP with assistance from the Housing Department. The Housing Department assisted ARIS, the property manager of the Asbury Street property, in purchasing a property located at 239 Burning Tree Drive with the proceeds of the loan repayment from the Asbury Street property plus additional acquisition funds. The affordability restriction was transferred from Asbury to the current location. On March 13, 2003, ARIS announced that it was closing operation of many of its activities, including providing housing assistance. On July 28, 2004, the Director of Housing approved the assumption by HIP of the existing ARIS loan in the amount of \$272,153.83 and advanced additional funds in the amount of \$25,000, bringing the total loan amount to \$297,153.83. HIP has also requested that the City revise its loan terms from a fixed monthly repayment to the Net Cash Flow method of loan repayment. The Director of Housing also authorized the City Attorney's Office to prepare the amendments to the existing loan documents and authorized staff to execute the amended documents.

All other terms and conditions remain as previously approved by the City Council.

Giovanni Center located at 85 South 5th Street ("Center") – Council District: 3, SNI: N/A:

In July 1986, the Redevelopment Agency assisted the Giovanni Center by funding two loans in the amounts of \$1,040,885 (20% Funds) and \$275,000 (RRP Funds) for the acquisition and development of a senior housing center. In January of 1997, the City consolidated the matured RRP loan with the 20% loan and received a payment of \$183,000 from the Center. The new consolidated balance was refinanced, resulting in a required annual payment of \$13,056. On November 1, 2003, the Center did not make its required annual payment and is currently in monetary default. On August 5, 2004, following extensive negotiations with the Center, the Director of Housing approved the following recommendations to cure the existing monetary and non-monetary defaults to the existing Loan:

- Defer the loan repayment for a period of 5 years.
- Subordinate to a revised loan with the Diocese of San Jose, with payments to the Diocese deferred for five years, after which period the Center will begin to make annual payments to the Diocese in the amount of \$10,244 (i.e. half of its original payment amount).
- Beginning in 2015, payment will convert to an annual amount of \$26,112.
- Authorize the Office of the City Attorney to prepare amendments to the existing promissory note to reflect the new loan terms.
- Authorize additional loans and grants already received and secured on the property.

All other terms and conditions remain as approved by the City Council.

Delmas Park Apartments – District: 3 – SNI: Delmas Park/University

On June 29, 2004, the City Council approved the construction and permanent loan to Delmas Park Associates, L.P. for the Delmas Park Apartments project in the amount of up to \$7,206,605. On July 12, 2004, the Director of Housing approved the following recommendations:

- Increase the \$7,206,605 construction and permanent loan by the amount of up to \$19,020 based on the following findings: a) the housing project which is the subject of the loan cannot otherwise proceed; b) the total percentage of loan-to-value ratio after this increase will not exceed one hundred percent (100%); c) the increased loan amount is available from the funding sources appropriated to the Department in the FY 2004-05 Budget.
- Forgive \$25,000 of accrued interest on the \$650,000 acquisition and predevelopment loan from the Rental Rehabilitation Program to the Teachers Academy Foundation, a nonprofit corporation, thereby reducing the interest owed to \$19,017.22.

All other terms and conditions remain as approved by the City Council.

Monte Vista Gardens Senior, Phase II – Council District: 5 – SNI: East Valley/680 Community

On September 8, 2004, the Director of Housing approved amendments to Section 3 of the Developer's Note that clarifies language regarding Net Cash Flow and to correct a typographical error in Section 3 of the Monte Vista Gardens Senior, II, L.P. Note.

This change does not impact the loan documents. All terms and conditions remain unchanged.

Loans/Grants Terms and Conditions:

Paseo Senter Housing Project – Council District: 7 – SNI: Tully/Senter

On June 29, 2004, the City Council approved the acquisition and predevelopment loan for the Paseo Senter Family Housing Project, in the amounts of up to \$6,943,800 for Paseo Senter Family Housing, Phase I and up to \$5,939,550 for Paseo Senter Family Housing, Phase II and a conditional grant in the amount of \$200,000. On July 24, 2004 the Director of Housing approved the City Loan Terms and the specific business terms of the conditional grant to Paseo Senter, L.P. as evidenced by the Term Sheets dated July 20, 2004 in accordance with the City Council approved commitment of funds.

Acquisition/Predevelopment

Loan Amount:	\$10,250,000
Interest Rate	4% Simple
Loan Term	36 Months
Repayment	P&I at Maturity
Total Affordable Units	218 Low and Very Low Units
Affordability Term	55 Years

Acquisition/Predevelopment

Grant Amount:	\$200,000
Interest Rate	0%
Grant Term	55 Years
Repayment	None
Total Affordable Units	218 Low and Very Low Units
Affordability Term	55 Years

Additional funds for predevelopment costs in the amount of \$2,633,350 as evidenced by the Council approved commitment of funds dated June 29, 2004, will be funded in November, 2004.

PREDEVELOPMENT LOAN:

On August 18, 2004, the Director of Housing approved a CDBG predevelopment loan to Satellite Housing for the VTA Capitol Station project in the amount of up to \$15,000. The loan will be unsecured under the standard Predevelopment Program loan terms and conditions.

TEFRA HEARINGS CONDUCTED BY THE DIRECTOR OF FINANCE

The Director of Finance held a Tax Equity and Fiscal Responsibility Act (TEFRA) hearing on September 27, 2004 with respect to the intent to issue multifamily housing revenue bonds to First Community Housing for the Curtner Gardens Apartments Project in the amount of \$9,000,000, and the inducement declaration for the purpose of allowing the expenditures incurred prior to the date of bond issuance to be reimbursed with tax-exempt bond proceeds for the Curtner Gardens Apartments and the Shadowbrook Garden Apartments Project.

HONORABLE MAYOR AND CITY COUNCIL

December 8, 2004

Subject: Report on Activities Undertaken by the Director of Housing and the Director of Finance

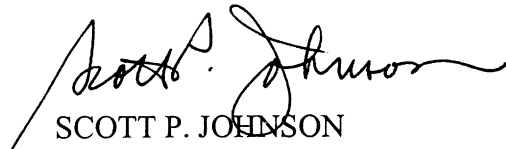
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Project Name	Units	San Jose Location	Bond Amount	Mayor's Certificate No.
Curtner Gardens Apartments	180	701 Curtner Avenue, San Jose	\$9,000,000	2004-6 Adopted
Shadowbrook Garden Apartments	174	1058 South Winchester Blvd., San Jose	\$24,000,000	To be adopted at a future TEFRA hearing

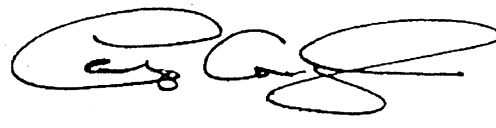
Notices for these meetings are published at least fifteen (15) days prior to the hearing date.

COORDINATION

Preparation of this report has been coordinated with the City Attorney's Office.



SCOTT P. JOHNSON
Director of Finance



LESLYE CORSIGIA
Director of Housing